

# TRANSPORTATION REVENUE TRACKING REPORT

## DEPARTMENT OF MOTOR VEHICLES

### HIGHWAY MAINTENANCE & OPERATING AND TRANSPORTATION TRUST FUNDS STATE TAXES AND FEES (\$ Thousands)

Revenue Sources	FY 01 _1/ Forecast	February-01		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change	
							Actual	Forecast
Motor Fuels Taxes _2/	\$768,665	\$50,258	(27.4)	\$484,772	\$474,326	\$10,446	1.4	(0.8)
Motor Vehicle Sales & Use Tax _3/	486,146	35,450	(5.3)	323,971	315,785	8,186	3.4	0.8
State Retail Sales Tax	390,200	26,718	(4.3)	263,362	262,012	1,350	5.4	4.8
Motor Vehicle Licenses	141,989	11,201	(4.1)	90,811	89,340	1,471	0.6	(1.1)
International Registration Plan	57,880	2,962	(27.3)	24,362	26,385	(2,023)	(14.8)	(7.7)
Priority Transportation Fund	35,234	1,667	0.0	2,421	2,421	0	0.0	
Interest Earnings	6,843	0	#N/A	5,958	3,422	2,536	31.8	(24.3)
Miscellaneous _4/	13,317	1,515	4.1	12,903	8,384	4,519	21.6	(21.0)
<b>Total State Taxes and Fees</b>	<b>\$1,900,273</b>	<b>\$129,772</b>	<b>(14.5)</b>	<b>\$1,208,560</b>	<b>\$1,182,076</b>	<b>\$26,485</b>	<b>2.8</b>	<b>0.6</b>

\_1/ November 2000 Forecast.

\_2/ Includes the road tax and applicable aviation taxes.

\_3/ Includes applicable rental tax.

\_4/ Miscellaneous fees in the Highway Maintenance and Operating Fund.

Note: Due to rounding columns may not add up exactly

#### Bottom Line

February 2001 saw a reduction in total revenues by 14.5 percent over the same month last year. The economy has definitely slowed its rate of growth and that fact is now being reflected in total revenues. Motor Fuels Tax revenues, Motor Vehicle Sales & Use Tax revenues and State Retail Sales Tax revenues are all down substantially for the month. On a YTD basis, total revenues are still slightly ahead of forecast. Total revenues exceed the forecast amount on a YTD basis by \$26.5 million. Continued slow growth is factored in the forecast for the remaining four months of the fiscal year.

#### Motor Fuels Tax

Motor Fuel Tax revenues fell 27.4 percent for the month but are still running 1.4 percent ahead on a YTD basis. Total taxable gallons for the month of December 2000 fell 1.5 percent due primarily to the higher prices on the wholesale and retail level. Price reductions for gasoline and diesel fuel did not show up at the retail level until January 2001. Through December 2000, total taxable gallons YTD are ahead of last year by 2.2 percent. Recent announcements by OPEC to reduce supply will act to maintain high retail prices.

#### Motor Vehicle Sales and Use Tax

Motor Vehicle Sales and Use Tax revenues are down 5.3 percent for the month. On a YTD basis however, these revenues are ahead by 3.4 percent, which is attributable, to stronger than expected vehicle sales. On a national level, February 2001 sales were stronger than expected and topped 17.5 million units. This represents the best national sales figures in five months but is less than the same month one year ago. However, these strong monthly sales figures were

not necessarily reflected in Virginia data. Total taxable titles were down 3.9 percent for the month with no difference from the same period last year on a YTD basis (0.0 percent change).

#### State Retail Sales Tax

State Retail Sales Tax revenue is down 4.3 percent for the month but maintains a health growth rate of 5.4 percent on a YTD basis. At present, this is a growth rate 0.6 percent greater than expected in the forecast. Continued strength in the housing market will help to maintain revenues as consumers buy fixtures for their new homes.

#### Motor Vehicle Licenses

Motor Vehicle License revenues fell 4.1 percent for the month of February and are running only 0.6 percent ahead on a YTD basis. Total vehicle registrations also slowed for the month. One-year registrations are down 4.5 percent for the month with two-year registrations up by 4.4 percent. Overall, vehicle registrations were down 3.3 percent for the month. On a YTD basis, total registrations are lagging behind last year by 0.4 percent. The full effect of slowing vehicle sales has not been realized as of yet.

#### Other Revenues

International Registration Plan (IRP) revenues are down again for the month by 27.3 percent but are very volatile due to the payments from other states. On YTD basis however, this revenue source continues to be down by 14.8 percent. This reflects less manufacturing activity and thus truck shipments due to the economic slowdown.

## HIGHWAY MAINTENANCE AND OPERATING FUND (HMOF)

(\$ in Thousands)

Revenue Sources	FY 01 _1/ Forecast	February-01		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change Actual	% Change Forecast
Motor Fuels Taxes _2/	\$664,096	\$42,042	(27.8)	\$414,475	410,081	\$4,394	0.5	(0.6)
Motor Vehicle Sales and Use Tax	312,900	23,226	(1.5)	208,145	202,854	5,290	3.5	0.8
Motor Vehicle Licenses	123,564	9,837	(3.0)	79,059	77,815	1,244	0.3	(1.2)
International Registration Plan	57,880	2,962	(27.3)	24,362	26,385	(2,023)	(14.8)	(7.7)
Miscellaneous	13,317	1,515	4.1	12,903	8,384	4,519	21.6	(21.0)
<b>Total State Taxes and Fees</b>	<b>\$1,171,757</b>	<b>\$79,583</b>	<b>(18.4)</b>	<b>\$738,944</b>	<b>\$725,520</b>	<b>\$13,424</b>	<b>1.0</b>	<b>(0.9)</b>
Federal Grants and Contracts _3/	5,697	427	(39.7)	6,125	n/a	n/a	9.5	n/a
Transfer to TTF _4/	(4,008)	(319)	#N/A	(638)	n/a	n/a	-11,016	n/a
<b>Total HMOF</b>	<b>\$1,173,446</b>	<b>\$79,691</b>	<b>(18.9)</b>	<b>\$744,431</b>	<b>n/a</b>	<b>n/a</b>	<b>(3.7)</b>	<b>n/a</b>

\_1/ November 2000 Forecast.

\_2/ Includes the road tax.

\_3/ Revenues reflect prior period activity and are not a reliable measure of revenue or fiscal capacity of the State's program.

\_4/ Current law provides for balances to be transferred to the Transportation Trust Fund (TTF).

Note: Due to rounding columns may not add up exactly.

## TRANSPORTATION TRUST FUND

(\$ in Thousands)

Revenue Sources	FY 01 _1/ Forecast	February-01		Fiscal Year-To-Date				
		Revenue Collected	% Change Year Ago	Revenue Collected	Revenue Forecast	\$ Variance	% Change Actual	% Change Forecast
Motor Fuels Taxes _2/	\$104,569	\$8,217	(25.4)	\$70,298	\$64,245	\$6,052	7.4	(1.8)
Motor Vehicle Sales and Use Tax _3/	173,246	12,224	(11.7)	\$115,826	112,931	2,896	3.2	0.6
Priority Transportation Fund	35,234	1,667	0	\$2,421	2,421	0	0.0	
State Retail Sales Tax	390,200	26,718	(4.3)	\$263,362	262,012	1,350	5.4	4.8
Motor Vehicle Licenses	18,425	1,363	(11.8)	\$11,752	11,525	227	2.2	0.2
Interest Earnings	6,843	0	#N/A	\$5,958	3,422	2,536	31.8	(24.3)
<b>Total State Taxes and Fees</b>	<b>\$728,517</b>	<b>\$50,189</b>	<b>(7.6)</b>	<b>\$469,617</b>	<b>\$456,556</b>	<b>\$13,061</b>	<b>5.9</b>	<b>2.9</b>
Federal Grants and Contracts _4/	765,713	27,526	(29.7)	372,424	n/a	n/a	7.6	n/a
Local Contributions _5/	39,022	1,667	8.4	15,380	n/a	n/a	(68.7)	n/a
Toll and Other Revenues _6/	57,389	5,897	31.0	54,622	n/a	n/a	30.8	n/a
Transfers from HMOF	4,008	0	#N/A	0	n/a	n/a	259.5	n/a
<b>Total TTF</b>	<b>\$1,594,649</b>	<b>\$85,279</b>	<b>(14.3)</b>	<b>\$912,043</b>	<b>n/a</b>	<b>n/a</b>	<b>1.3</b>	<b>n/a</b>

## TOTAL TRANSPORTATION FUNDS

<b>Total HMOF &amp; TTF Revenues</b>	<b>\$2,768,094</b>	<b>\$164,970</b>	<b>(16.6)</b>	<b>\$1,656,473</b>	<b>n/a</b>	<b>n/a</b>	<b>0.3</b>	<b>n/a</b>
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\_1/ November 2000 Forecast.

\_2/ Includes road and aviation fuel taxes.

\_3/ Includes applicable rental tax.

\_4/ Revenues reflect prior period activity and are not a reliable measure of revenue or the fiscal capacity of the State's program.

\_5/ Local government contributions are received on a cost-share basis as provided by law.

\_6/ Receipts from Dulles, Powhite and Coleman Bridge and miscellaneous revenues.

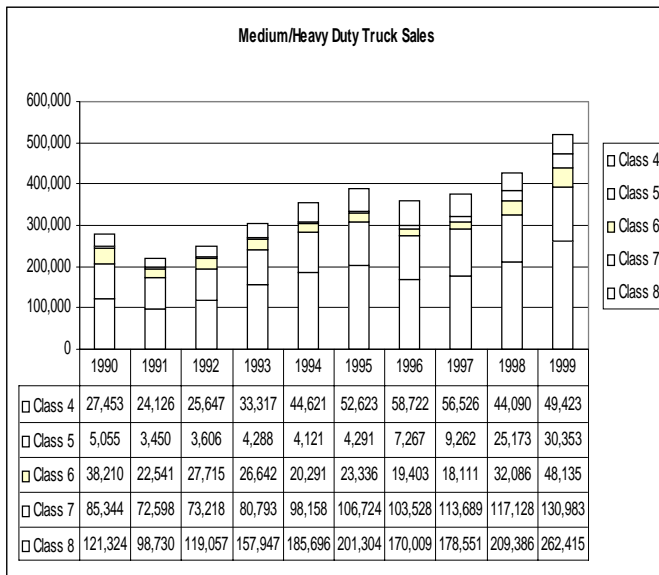
Note: Due to rounding columns may not add up exactly.

## U.S. Medium and Heavy Commercial Truck Market

Data on truck sales and the size of the medium and heavy truck market is often difficult to obtain. Fortunately ADESA corporation publishes a report entitled "Global Vehicle Remarketing, U.S. and Canadian Markets", presents data on this important part of the transportation industry. FAO has permission to provide our readers with data and analysis found in this report.

Class 1 - 8 Truck Classification		
Weight Class	Gross Vehicle Weight	Weight Category
Class 1	6,000 lbs. or less	Light
Class 2	6,001 - 10,000 lbs.	Light
Class 3	10,001 - 14,000 lbs.	Light
Class 4	14,001 - 16,000 lbs.	Medium
Class 5	16,001 - 19,500 lbs.	Medium
Class 6	19,501 - 26,000 lbs.	Medium
Class 7	26,001 - 33,000 lbs.	Medium
Class 8	33,001 lbs. or more	Heavy

The following chart shows the growth in retail sales volume for Class 4-8 trucks from 1990 through 1999.



As the chart indicates, the medium/heavy-duty truck market is typified by sales cycles, however, the general sales trend has been positive. The sales growth through the 1990's was primarily driven by:

- Increased demand for trucks from a booming U.S. economy with low interest rates, high freight shipping volumes, and stable fuel prices.
- Manufacturers' aggressive marketing of three-year guaranteed-residual-value and closed-end leases to major leasing companies and commercial carrier fleets.

The rapid growth in truck sales, especially in Class 8 trucks, and the first wave of three-year-old off-lease trucks has

resulted in a highly publicized "glut" of used trucks and corresponding declines in used truck prices.

Used truck residuals (difference between end of lease value and market price) had previously been quite strong in 1998 and most of 1999. During 2000 however, large volumes of three-year-old, closed-end leased trucks entered the resale market. These trucks were configured with long wheelbases, tandem-axles, smaller engines, large aerodynamic sleeper compartments, and other long-haul features typically ordered by major common carriers and other large fleets. These "long and tall" are less attractive to owner-operators and vocational users, which are generally the largest categories of secondary-application, used truck operators. Used truck purchasers generally prefer trucks with shorter wheelbases, single-axles, high-horsepower engines, and day cabs. The table below give more detail on the preferences of the two groups.

General Buyer Characteristics and Truck Preferences		
	New	Used
Company Type	Truckload carrier, lease/rental fleets	Less-than-truckload carrier, owner-operator
Wheelbase	Long	Medium
Axle	Tandem	Single and tandem
Engine Horsepower	Low	High
Transmission	Standard (9 speeds)	Premium (13 and 18 speeds)
Cab Design	Large, aerodynamic, integral sleeper	Day cab and small sleeper
Other	Minimal chrome and accessories	Lots of chrome and accessories, custom paint job

The extent of the current over supply of Class 8 trucks has been estimated by Stuart MacKay, one of the truck industry's leading economist, at approximately 60,000 units. This is based on the difference between 210,000 units of annual used truck demand versus a returning supply of 270,000 units. Factoring in the high build rates of 1998 and 1999, MacKay and Company estimates that the returning oversupply will grow to 90,000 units in 2001 and 100,000 units in 2002, fall slightly to 80,000 in 2003, and thereafter taper back closer to equilibrium levels.

Truck manufacturers have reduced their build rates and increased shutdown times to help deplete excess used truck inventories. Jim Meil, corporate economist at Eaton Corporation, estimates that the Class 8 production build will drop from a peak of 335,000 units in 1999, to 250,000 units in 2000 and 185,000 units in 2001.

FAO is very concerned with the number of medium/heavy truck sales each year primarily because approximately 100% of these trucks burn diesel motor fuel. Since truck sales are cyclical in nature depending on the general economic conditions, diesel sales and thus revenues are cyclical as well. Diesel revenues are modeled as a function of the general state of the economy.

# Key Revenue Indicator Tracking Report

February-01

Key Indicator	FY 2000		FY 2001		Month		Year-to-Date		% Annual Growth	
	Total		Forecast*		FY 2001		FY 2000		Change	
Net Taxable Gallons (000's)	4,522,879	4,459,240								(1.4)
Dec-00					361,811	367,489	(1.5)	2,338,023	2,286,861	2.2
Total Taxable Vehicle Sales (000's)	16,039,842	15,868,665	\$1,170,075	\$1,196,058	(2.2)	\$10,371,533	\$10,195,956	1.7	(1.1)	
New Taxable Vehicle Sales (000's)	9,025,279	8,823,036	622,304	647,114	(3.8)	5,897,985	5,747,494	2.6	(2.2)	
Used Taxable Vehicle Sales (000's)	7,014,563	7,045,629	547,771	548,945	(0.2)	4,473,548	4,448,463	0.6	0.4	
Total Taxable Titles	1,590,691	1,544,560	122,560	126,254	(2.9)	1,003,316	1,003,673	(0.0)	(2.9)	
New Taxable Titles	409,400	389,160	27,163	28,257	(3.9)	258,153	257,375	0.3	(4.9)	
Used Taxable Titles	1,181,291	1,155,400	95,397	97,997	(2.7)	745,163	746,298	(0.2)	(2.2)	
Average Price All Motor Vehicles	\$10,078	\$10,256	\$9,547	\$9,473	0.8	\$10,204	\$10,152	0.5	1.8	
Average Price New Vehicles	22,045	22,672	22,910	22,901	0.0	22,847	22,331	2.3	2.8	
Average Price Used Vehicles	5,938	6,098	5,742	5,602	2.5	6,003	5,961	0.7	2.7	
Total Vehicle Registrations	5,866,003	5,906,810	450,083	465,441	(3.3)	3,663,149	3,677,973	(0.4)	0.7	
One-Year Registrations	5,082,364	5,138,480	385,110	403,178	(4.5)	3,135,776	3,189,097	(1.7)	1.1	
Two-Year Registrations	783,639	768,330	64,973	62,263	4.4	527,373	488,876	7.9	(2.0)	

## Twelve Month Rolling Average<sup>1</sup>

February-01

|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|